BUDGET SUMMARY

One-Year Operating and Capital Budget
Fiscal Year Ended June 30, 2017

Five-Year Operating Forecast and Capital Improvement Plan
Fiscal Years ending June 30, 2017 through 2021

PORT OF OAKLAND

One-Year Operating and Capital Budget
Fiscal Year 2016-17

and

Five-Year Operating Forecast
and Capital Improvement Plan
Fiscal Years 2016-17 Through 2020-21

PORT OF OAKLAND

Board of Port Commissioners of the City of Oakland
Earl S. Hamlin, President
Alan S. Yee, First Vice President
Michael Colbruno, Second Vice President
Cestra Butner, Commissioner
Andreas Cluver, Commissioner
Arabella Martinez, Commissioner
Joan H. Story, Commissioner

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Bryant L. Francis, Director of Aviation
Pamela Kershaw, Director of Commercial Real Estate
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June 23, 2016

DISCLOSURE

This Budget Summary is disclosed publicly for general information relating to the Port of Oakland (Port) only and should not be construed as an offering document nor part of the Port's Annual Report pursuant to SEC Rule 15c2-12 for the Port's revenue bonds or commercial paper notes. The information and expressions of opinion in this Budget Summary are subject to change without notice after the date hereof, and future use of this Budget Summary shall not otherwise create any implication that there has been no change in the matters referred to in this Budget Summary since the date hereof. The goals and objectives of the Port set forth in this Budget Summary should not be construed as commitments by the Port that such goals and objectives will, in fact, be achieved or occur within such time frames. The goals and objectives are subject to change.

Certain statements included or incorporated by reference in this Budget Summary constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "assume," "anticipate," "intend," "believe," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements are based upon certain assumptions and involve known and unknown risks, uncertainties and other factors, including business levels during the relevant periods, that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual results will vary and may vary materially. The Port does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based change.

The Port has not yet obtained funding for all the capital projects described in this Budget Summary, some of which may not ultimately be implemented by the Port. Furthermore, the overall cost of the 5-Year Capital Improvement Plan is subject to change, and the variance from the cost estimates described in this Budget Summary could be material. Failure to complete the projects may adversely affect the Port's ability to generate the currently anticipated revenues.

Sara Lee
Chief Financial Officer

June 24, 2016

Board of Port Commissioner of the City of Oakland
Oakland, California

Earl Hamlin, President
Alan Yee, First Vice President
Michael Colbruno, Second Vice President
Cestra Butner, Commissioner
Andreas Cluver, Commissioner
Arabella Martinez, Commissioner
Joan Story, Commissioner

Subject: Adopted Operating and Capital Budgets for Fiscal Year Ending June 30, 2017

Dear Board of Port Commissioners:

On behalf of Port staff, I am pleased to provide this Budget Summary, which contains the Port's:

- 1-Year Operating Budget for fiscal year ended June 30, 2017;
- 1-Year Capital Budget for fiscal year ended June 30, 2017;
- 5-Year Operating Forecast for FY 2017 through FY 2021;
- 5-Year Capital Improvement Plan for FY 2017 through FY 2021; and
- Other related information such as the Port's staffing plan, division-specific operating budgets, debt service payments, cash flow projections, reserve amounts, and capital project descriptions.

The FY 2017 Operating and Capital Budgets were adopted by the Board on June 23, 2016. Operating forecasts for subsequent years and the 5-year Capital Improvement Plan (CIP) were presented as informational and conceptual only.

Overview

The Port's financial condition has improved significantly since the lows of 2009 and the Port is located in a healthy local economy. Among the three Bay Area airports, OAK is closest to the majority of the Bay Area population, closest to downtown San Francisco, and experiences minimal weather delays. The Seaport experiences a balanced import-export mix due to its proximity to the Central Valley, shorter transit times to Asia than other West Coast ports, and good connections to Class I railroads. Commercial Real Estate (CRE) serves a vibrant and growing local market. This favorable geographic position results in approximately 87% of the Airport traffic being origin and destination and approximately 85% of the maritime cargo destined for and from local markets, providing resiliency and demand for the use of Airport, Seaport and CRE properties.

The Aviation business is growing rapidly with passenger traffic anticipated to be up approximately 18% over the last two fiscal years. However, a major Maritime terminal operator filed for bankruptcy and vacated the

Port in spring 2016. In addition, expenses continue to rise faster than revenues with personnel costs, security costs and major maintenance expenses leading the way. Lastly, the Port's 5-year CIP remains constrained due in part to relatively high levels of debt service continuing for another 14 years before tapering down.

The development of the FY 2017 Budget included (i) balancing growing Airport demand against time to recover from the loss of major Maritime terminal operator; (ii) maximizing flexibility and protecting against the inherent uncertainties in the recovery of Maritime revenues; (iii) supporting and maintaining day-to-day operations; (iv) continuing progress on major capital projects underway; and (v) focusing on revenue maintenance and enhancement. Port management continues to be very mindful and discerning in the development of its budget, keeping costs down to the extent prudently possible and closely examining past and expected expenditures to tighten budget estimates.

The table below summarizes the Port's FY 2017 Budget.

Uses and Sources of Funds
($000s)

	FY 2017 Budget
Uses of Funds	
Operating Expenses[1]	$205,515
Debt Service[2]	104,359
Capital Expenses – Initial	113,588
Capital Expenses – Pipeline Projects[3]	45,876
Other Expenses[4]	8,425
Total Uses	$477,763
Sources of Funds	
Operating Revenues	$343,169
Grants[5]	33,896
Passenger Facility Charges (PFCs) & Customer Facility Charges (CFCs)[6]	29,475
Commercial Paper (Debt) Proceeds[7]	30,817
Interest Income	1,143
Available Cash	39,263
Total Sources	$477,763

[1] Excludes depreciation.
[2] Includes $4 million repayment of commercial paper notes.
[3] Board authorization is not requested for FY 2017 Pipeline Projects. The Pipeline Project costs are included in the Port's financial planning and cash flow analyses; however, authorization to proceed with the FY 2017 Pipeline Projects are subject to subsequent Board approval during the course of the fiscal year.
[4] Includes commercial paper and bond related fees; General Services and Lake Merritt payments to the City of Oakland; retroactive CalPERS pension payments for Airport service people; deposit to Operating Reserve; and certain deferred maintenance costs that were recorded as prior year loss contingency.
[5] The Port has not yet obtained grant funding for all capital projects included in the budget.
[6] The Port has not yet obtained PFC approvals for all capital projects included in the budget.
[7] Debt proceeds are anticipated for the Port's Terminal 1 renovation project and International Arrivals Building upgrade project and anticipated to be paid by future Passenger Facility Charges. Assumes that the Port's commercial paper program will be utilized in the interim until a long-term bond transaction occurs.

Operating Budget Highlights

Activity Levels

While activity levels are not directly correlated to Aviation and Maritime revenues, they are important indicators about the strength of these business lines. Provided in the table below is a summary of the projected Airport passengers and Seaport Full twenty-foot equivalents (TEUs) for FY 2017. FY 2016 anticipated and FY 2015 actual activity levels are also provided for comparison purposes.

Activity Levels

	FY 2015 Actual	FY 2016 Anticipated	YoY Growth	FY 2017 Budget	YoY Growth
Airport Passengers	10,754,556	11,700,000	8.8%	12,240,000	4.6%
Seaport Full TEUs	1,713,809	1,749,000	2.1%	1,749,000	0.0%

Operating Revenues

The table below summarizes FY 2017 budgeted operating revenues in comparison to FY 2016 anticipated and FY 2015 actual operating revenues.

Summary of Operating Revenues
($000s)

	FY 2015 Actual	FY 2016 Anticipated	YoY Growth	FY 2017 Budget	YoY Growth
Aviation	$157,934	$167,100	5.8%	$180,278	7.9%
Maritime	149,243	140,600	(5.8%)	134,175	(4.6%)
CRE	15,666	15,000	(4.3%)	15,576	3.8%
Utilities	13,743	14,500	5.5%	13,141	(9.4%)
Total	**336,587**	**$337,200**	**0.2%**	**$343,169**	**1.8%**

In comparison to FY 2016 anticipated revenues of $337.2 million, FY 2017 operating revenues are projected to increase $6 million, or 1.8%. Revenue projections reflect expectations of continuing above-average growth at the Airport and the impact of the loss of a major terminal operator at the Seaport.

Aviation revenues budgeted in FY 2017 of $180.3 million are $13.2 million or 7.9% higher than FY 2016 anticipated revenues of $167.1 million. Aviation revenues budgeted in FY 2017 are driven by (i) projected 4.6% activity growth, (ii) higher airline rates and charges due to increased operating expenses and increased passenger volume, (iii) higher parking and ground access revenues due to increased passenger volume, higher revenue per parking transaction, and full year Transportation Network Company fees, (iv) higher terminal concession revenues due to higher passenger volume and spend rate, and (v) higher lease revenues due to scheduled lease adjustments.

Maritime revenues budgeted in FY 2017 of $134.2 million are $6.4 million or 4.6% lower than FY 2016 anticipated revenues of $140.6 million. In spring 2016, a major terminal operator filed for bankruptcy and vacated the Port. The cargo associated with this terminal has been redistributed to the other Port marine terminals. FY 2017 Maritime revenues are based on (i) expectation that cargo will not be diverted and activity levels will be flat, (ii) lower revenues from marine terminals due to the loss of the terminal operator partially offset by higher over-the-Minimum Annual Guarantee (MAG) revenue due to the shifting of cargo to other terminal operators, and (iii) significantly higher space assignment and truck parking revenues based on the fluctuating need of adjacent marine terminals and ancillary services, availability of land, and planned tariff increase.

CRE revenues budgeted in FY 2017 of $15.6 million are $0.6 million or 3.8% higher than FY 2016 anticipated revenues of $15 million. FY 2017 CRE revenues are driven by anticipated increases in parking revenues, percentage rents, and minimum rent adjustments due to lease renewals and schedule rent adjustments.

Utility revenues budgeted in FY 2017 of $13.1 million are $1.4 million or 9.4% lower than FY 2016 anticipated revenues of $14.5 million. FY 2017 Utility revenues are anticipated to be lower due to higher than usual shore power usage in FY 2016 resulting from labor shortages in summer 2015, which caused longer than anticipated vessel plug-in time. FY 2017 budgeted Utility revenues is consistent with the shore-power usage experienced since summer 2015.

<u>Operating Expenses</u>
Overall, Port operating expenses (excluding depreciation) are budgeted in FY 2017 to increase $12.3 million or 6.4% in comparison to FY 2016 Budget.

Summary of Operating Expenses (excl. Depreciation)
($000s)

	FY 2015 Actual	FY 2016 Budget	YoY Growth	FY 2017 Budget	YoY Growth
Personnel Costs	$94,158	$102,265	8.6%	$106,812	4.4%
Contractual Services[8]	60,896	70,283	15.4%	75,959	8.1%
General & Administrative[9]	19,611	19,558	(0.3%)	19,819	1.3%
Supplies	4,907	4,326	(11.8%)	4,323	0.1%
Utility Cost of Sales	7,075	7,053	(0.3%)	7,657	8.6%
Departmental Credits[10]	(8,846)	(10,260)	(16.0%)	(9,056)	11.7%
Total	**$177,800**	**$193,226**	**8.7%**	**$205,515**	**6.4%**

The FY 2017 Operating Budget reflects 502 funded full-time equivalents (FTEs), unchanged from FY 2016 Budget[11]. Personnel costs are approximately 52% of the Port's operating expenses and are budgeted to be $106.8 million, an increase of $4.5 million or 4.4% primarily due to increases in wages, pension and medical costs, offset in part by an increase in the vacancy factor from 30 to 35 FTEs. Salaries and wages are budgeted at $55.4 million, an increase of $2.3 million, or 4.3%, due to contractual wage and step increases. The Port's employer pension contribution rate will increase from 32.9% to 34.2% of wages on July 1, 2016 resulting in budgeted pension costs of $19.4 million, a $1.5 million or 8.2% increase. Medical costs for active employees and retirees are budgeted at $23.3 million, $1.2 million or 5.1% higher due to a 4.5% increase in the Kaiser medical premium rates on January 1, 2016, and an assumed 6% increase of medical premiums on January 1, 2017. Changes in other personnel costs are based on recent experience, recent actuarial reports, known or assumed rate increases, and changes to employee labor contracts.

[8] FY 2016 Budget is $1.2 million higher due to re-coding of certain Maritime truck parking expenses to Contractual Services from General and Administrative.
[9] FY 2016 Budget is $1.2 million lower due to re-coding of certain Maritime truck parking expenses from General and Administrative to Contractual Services.
[10] Primarily allocation of certain expenses (notably Engineer staffing costs) to capital expenses.
[11] In October 2015, the Board approved the addition of 5 FTEs, increasing the FY 2016 Budget from 497 to 502 FTEs.

Non-personnel costs are budgeted in FY 2017 to increase by $7.7 million, or 8.5% more than the FY 2016 Budget, including an increase in Contractual Services of $5.7 million or 8.1%, and an increase in General and Administrative expenses of $0.3 million or 1.3%. Key drivers for the increase in non-personnel operating expenses include: (i) major maintenance at the marine terminals, (ii) security services at the Airport, (iii) cooperative marketing, Custom Border Patrol services and long-term planning to accommodate increased passenger growth at the Airport; (iv) scheduled increases in parking, shuttle bus and certain maintenance contracts at the Airport, and (v) increases in maritime truck parking operations offset by higher truck parking revenues. Furthermore, an increase in Utility Cost of Sales of $0.6 million is due to higher usage and corresponding higher Utility revenues, and a decrease in Departmental Credits of $1.2 million or 11.7% is due to less direct labor charged and a lower indirect overhead applied to Port capital projects. Partially offsetting these increases were reductions in maintenance dredging costs, legal contingency, and various discretionary items such as travel, hosting, registration dues and office supplies and equipment.

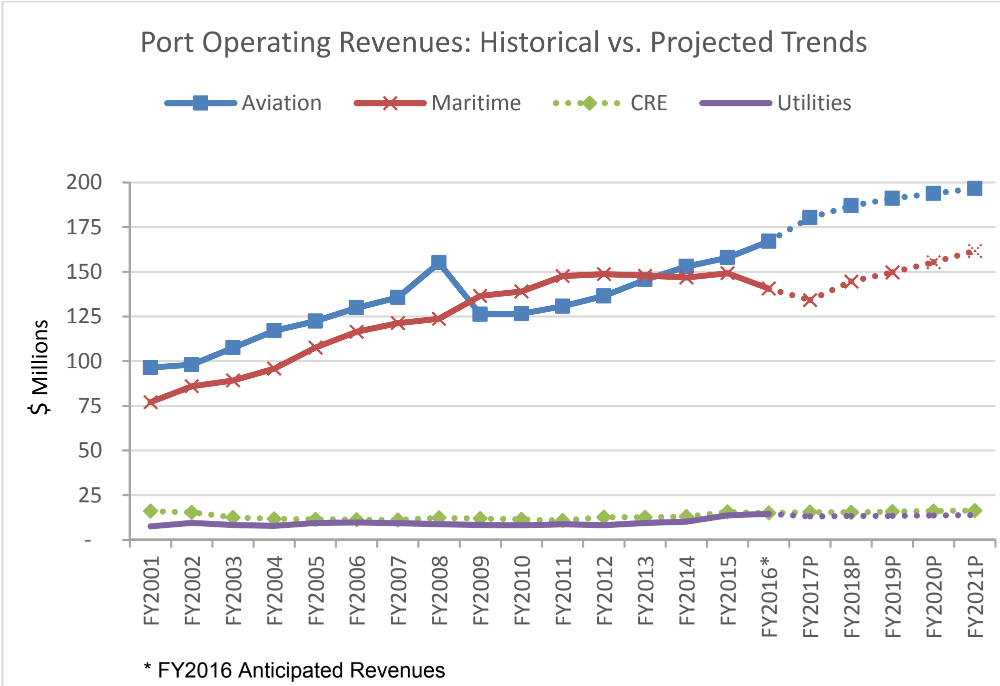
FY 2018-21 Activity, Operating Revenue and Expense Projections

For FY 2018-2021, Airport passengers are assumed to grow at 2.0-2.5% per year and Seaport Full TEUs by 2% per year. Port-wide operating revenues are projected to increase from $343.2 million in FY 2017 to $388.7 million in FY 2021, for an anticipated compound annual growth rate of 3.2%. During this period, the growth in Maritime revenues is anticipated to outpace Aviation as Maritime revenues recover from the loss of a terminal operator and Airport passenger growth assumed to moderate.

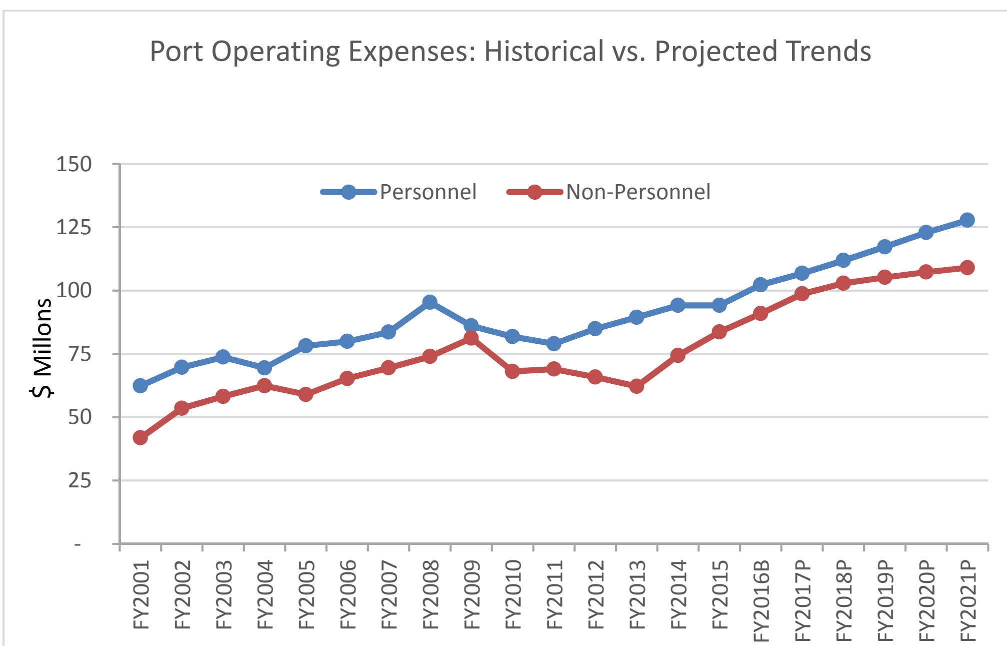
Aviation revenues are assumed to grow from $180.3 million in FY 2017 to $196.6 million in FY 2021 for a compound annual growth rate of 2.2%. Projected Aviation revenues assume passenger growth rate of 2.0–2.5% per year, increases in parking revenues correlated to passenger growth, changes in airline rates and charges based on assumed changes in net expenses, and scheduled lease adjustments. Non-airline terminal revenues are projected to decrease in FY 2018 due to lower anticipated lease renewals, but this is offset by higher airline terminal rates and charges.

Maritime revenues are assumed to grow from $134.2 million in FY 2017 to $161.7 million in FY 2021 for a compound annual growth rate of 4.8%. Projected Maritime revenues assume that Full TEUs grow 2% per year, annual tariff increases commensurate with inflation are realized, a portion of the former Outer Harbor Terminal is leased for container operations at rates generally consistent with existing leases, truck parking revenues increase in FY 2018 due to increased available space on portions of former Outer Harbor Terminal, and additional revenue from the reimbursement of crane raising costs is received.

The chart on the following page shows historical and projected revenues by business lines.



Port-wide operating expenses (excluding depreciation) are projected to increase from $205.5 million in FY 2017 to $236.8 million in FY 2021, for a projected compound annual growth rate of 3.6% as illustrated in the graph below. Operating expense projections take into account anticipated changes, but otherwise assume expenses will grow at 2.5% per annum. Personnel costs are assumed to increase at a compound annual growth rate of 4.6%. This assumes no increase in FTEs from current staffing levels, and is driven by assumed increases in medical premiums of 6% per annum and increases in pension rates from 34.2% in FY 2017 to 42.3% of wages in FY 2021 based on the most recent CalPERS actuarial study forecast. Contractual services, general and administrative costs, and supplies are assumed to grow at a compound annual growth rate of 2.7%, 2.4% and 2.4% respectively.



Capital Budget

For FY 2017, the Board authorized $113.6 million in capital expenditures for projects for which there is already a contractual obligation, as well as limited amounts for pre-development work to scope potential projects and miscellaneous facilities replacement projects[12]. "Contractual obligations" are generally defined as expenditures for which, for example, there is an active contract in place or a lease agreement that requires the Port to take certain actions. This authorization comprises the FY 2017 Capital Budget – Initial which includes the following capital projects, most of which are already in progress:

FY 2017 Capital Budget – Initial

Business Line[13]	*Projects*	*($ millions)*
A	Terminal 1 Renovations	$ 43.6
A	International Arrival Building Upgrades	24.8
M	Cool Port Rail & Electric Infrastructure	9.5
A	Runway Safety Area	8.0
M	Seaport Logistics Complex	4.7
A	Taxiway Repairs	4.0
A	Parking Access and Revenue Control System	3.6
A	ARFF Truck	2.2
M	-50 ft Dredging Project Cost Share	2.0
A	Runway 12/30 Rehabilitation	1.8
M	B35-37 Pavement Replacement	1.7
A,M,C,S	Misc. Facilities Replacement Projects	1.7
M	Mooring Dolphin	1.2
A	Airfield Geometric Survey	1.0
M	Marine Terminal Repairs	0.9
A,M	Pre-Development	0.8
M	Crane Raising and Management System	0.6
A	Lift Station #1 Sewer Improvements	0.4
C	Union Point Basin Environmental Remediation	0.4
A	Airport Pavement Management System	0.3
A	Capital Equipment	0.2
A	M371 Boiler	0.2
M	Sanitary Sewer Upgrades	0.2
A	Airfield Ramp Control	0.1
M	Fiber Optic Expansion and Resiliency	0.0
	Total	**$ 113.6**

In addition, approximately $45.9 million of additional projects are anticipated to commence in FY 2017 subject to Board approval (FY 2017 Pipeline Projects). Authorization to proceed with FY 2017 Pipeline Projects may be provided by the Board on a project-by-project basis, based on the need, financial analysis, cost estimates, alignment with Port goals and strategies, available funding and available staffing resources. For cash flow and financial planning purposes, the FY 2017 Pipeline Projects are assumed to be approved

[12] Miscellaneous facility replacement refers to smaller scope projects or needs that may arise during the course of the fiscal year that are unforeseen or difficult to predict with certainty; these projects are usually less than $100,000.
[13] Aviation (A); Maritime (M); Commercial Real Estate (C), Support (S)

by the Board during the course of the fiscal year. Of the $45.9 million of FY 2017 Pipeline Projects, the two largest projects anticipated to commence are approximately $6 million to fund a portion of the Runway 12/30 rehabilitation project and approximately $6.5 million for Berths 25-26 wharf and related improvements.

Provided in the table below is a summary of the Port's FY 2017 Capital Budget – Initial and Pipeline Projects and anticipated funding sources.

FY 2017 Capital Expenditures
Uses of Funds by Business Line
($ millions)

	FY 2017 Capital Budget - Initial	FY 2017 Pipeline Projects	FY 2017 Total
Aviation	$91.0	$28.9	$119.9
Maritime	21.8	16.7	38.5
CRE	0.7	0.2	0.9
Support	0.1	0.0	0.1
Total	**$113.6**	**$45.9**	**$159.5**

FY 2017 Capital Expenditures
Funding Sources
($ millions)

	FY 2017 Capital Budget - Initial	FY 2017 Pipeline Projects	FY 2017 Total
Aviation Grants	$19.5	$6.9	$26.4
Maritime Grants	6.5	0.4	6.9
PFC Pay-Go	23.2	0	23.2
CP (Debt) Proceeds	23.7	7.1	30.8
CFCs	0	1.0	1.0
Cash	40.7	30.5	71.2
Total	**$113.6**	**$45.9**	**$159.5**

Board-Established Reserves

The following reserves will continue to be maintained for FY 2017:

FY 2017 Board-Established Reserves
($000s)

Operating Reserve[14]	$25,689
Capital Reserve	15,000
Port Bond Reserve	30,000
Total Reserves	**$70,689**

Debt Service, Debt Service Coverage Ratio, and Cash Balance

The Port's debt service payments, projected debt service coverage ratios (DSCRs), and fiscal year ending cash balance are summarized in the table on the following page. The Port's General Fund balance is an important indicator of the Port's financial health. The General Fund balance changes daily and is used to pay day-to-day operating expenses, capital expenditures already under contract and anticipated in the 5-year Capital Improvement Plan, bond debt service payments each year (approximately $63 million on November 1, 2016), and all other accrued liabilities. The General Fund balance also includes items such as security deposits and contractor retention.

[14] Established at 12.5% of Operating Budget (excluding depreciation).

Debt Service, Debt Service Coverage Ratio, and Cash Balance
($000s)

($000s)	Actual FY 2015	Anticipated FY 2016	Budget FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021
Senior & Intermediate Lien Bonds	$97,734	$98,420	$99,020	$100,507	$102,016	$96,652	$96,015
DBW Loan	458	458	458	458	458	458	458
Commercial Paper Notes (payable from Operating Revenues)[15]	3,092	4,109	4,431	4,801	4,988	5,362	5,657
Commercial Paper Notes (payable from PFCs)[16]	na	32	451	1,302	1,929	2,939	3,918
Total Debt Service	101,284	103,019	104,359	107,068	109,391	105,411	106,048
Debt Service Coverage Ratio (excl. amount paid by PFCs) [17]	1.63x	1.47x	1.39x	1.45x	1.46x	1.57x	1.62x
General Fund Balance on June 30[18]	$130,659	$195,000	$154,572	$134,017	$129,766	$160,390	$199,995

[15] Includes principal repayment of outstanding CP Notes totaling $4 million per year as part of an overall plan to repay this debt. Does not include debt service paid on CP Notes anticipated to be repaid with PFCs. The interest rate on the CP Notes is assumed to be 0.75% in FY 2017, increasing to 4% in FY 2021.

[16] It is anticipated that approximately $68.7 million of debt payable by PFCs will be issued to finance a portion of the Terminal 1 renovation project and International Arrivals Building upgrade project between FY 2017-2021. It is currently assumed that the Port will utilize its CP program in the interim until a long-term bond financing is undertaken. The interest rate on the CP Notes is assumed to be 0.75% in FY 2017, increasing to 4% in FY 2021.

[17] Debt Service Coverage Ratio is Net Revenues (as defined in the Indentures) divided by debt service on Senior and Intermediate Lien Bonds, DBW Loan, and CP Notes (excluding amounts paid by PFCs).

[18] Other funds held by the Port are (1) Board-dedicated reserves of approximately $70.7 million for emergency operating and capital expenses, (2) PFCs and CFCs, which must be held separately as their use is restricted to eligible Aviation-related capital expenditures, and (3) contractor retention which is held in escrow; it is customary to withhold a percentage of payments until construction is completed. In addition, the Bond Trustee holds for the benefit of bondholders approximately $58 million in cash reserves. This reserve is required by bondholders and was funded by issuing additional debt.

Summary

The annual budget is an essential management tool to plan and sustain our businesses. The Port has an excellent track record of prudent and proactive budget management. I thank our highly skilled professional staff for their dedication to serve as reliable stewards of public resources. I appreciate the Board's support and commitment to the FY 2017 Budget.

Sincerely,

Chief Financial Officer